

# 2004 Individual Income Tax Worksheets

## Worksheet I - IRA Deduction

If you file jointly on your federal tax return and separately (filing status 3, 4 or 5) on your Montana return, your deductible IRA for Montana purposes may be less than the amount allowed on your federal return.

If during the tax year, neither spouse was covered by a retirement plan where they worked, Montana and federal IRA deductions will be the same (maximum \$3,000 per spouse, or \$3,500 if 50 years old or older). If part of your IRA deduction is attributable to the IRA of a nonworking spouse, that amount must be added back on line 23 in the column of the nonworking spouse.

If during the tax year, one or both spouses were covered by a retirement plan where they worked, complete both columns of the worksheet below to determine if there is a difference between allowable federal and Montana IRA deductions.



### IRA Worksheet

	Column A	Column B
1. Phase out amount .....	1. _____	_____
2. Enter your federal adjusted gross income before federal IRA contributions .....	2. _____	_____
3. Subtract line 2 from line 1 .....	3. _____	_____
4. Maximum allowable IRA deduction. Multiply line 3 by 30% (.30) or by 35% (.35) in the column for the IRA of the individual who is age 50 or older at the end of tax year. If the result is \$200 or more, enter the result. If it is less than \$200 enter \$200 .....	4. _____	_____
5. Enter IRA amount from line 19, Form 2 .....	5. _____	_____
6. Enter lesser of line 4 or line 5 .....	6. _____	_____
7. Subtract line 6 from line 5 and enter this amount on line 23, Form 2 .....	7. _____	_____
This is the nondeductible portion of your IRA for Montana purposes.		

If you are married, filing separate returns and lived apart from your spouse the entire year, you will be treated as single individuals.

## Worksheet II - Tax Benefit Rule (Taxable Refunds and Reimbursements)

	Column A	Column B
1. Total of all federal income tax refunds received. Do not include refundable federal credits or more than the amount deducted for the prior year. ....	1. _____	_____
2. All refunds and reimbursements of previously deducted itemized deductions. .... Example: In 2003 you deducted medical expenses not covered by insurance. In 2004 your insurance company determines that a portion of the denied expenses should have been paid by them. They send you a check. This amount may be taxable because you claimed it as an expense paid by you in the prior tax year.	2. _____	_____
3. Add lines 1 and 2 above. ....	3. _____	_____
4. Montana itemized deductions for prior year. If you took the standard deduction, stop here. None of the refund is taxable. ....	4. _____	_____
5. Enter prior year's Montana adjusted gross income. ....	5. _____	_____
6. If you are filing single or married filing separately, multiply line 5 by 20% (.20). If this amount is less than \$1,480, enter \$1,480. If more than \$3,330, enter \$3,330. If you are filing a joint return or filing as head of household, multiply line 5 by 20% (.20). If this amount is less than \$2,960, enter \$2,960. If more than \$6,660, enter \$6,660. ....	6. _____	_____
7. Subtract line 6 from line 4. If the result is zero, stop here. The amount on line 3 is not taxable. ....	7. _____	_____
8. Enter the smaller of line 3 or line 7. ....	8. _____	_____
9. Montana taxable income from prior year. ....	9. _____	_____
10. Enter the following amount on Form 2, line 22. If line 9 is zero or more, enter the amount from line 8. If less than zero, add lines 8 and 9 and enter the net amount (but not less than zero). ....	10. _____	_____

## Worksheet III - Qualifying Capital Gain Exclusion

**Capital Gain Exclusion Worksheet** - If you had an installment sale(s) of a capital asset(s) which you entered into before January 1, 1987 you may be able to take a capital gain exclusion of 40%. Compute your exclusion on the worksheet below.

If Federal Schedule D line 21 is negative, you are not allowed a capital gain exclusion.  
Do not proceed any further.

	Column A	Column B
1. Add the amounts from federal Schedule D lines 11 and 12 which pertain to installment sales entered into before January 1, 1987, and enter here. ....	1. _____	_____
2. Add the amounts from federal Schedule D lines 7 and 15 and enter here. ....	2. _____	_____
3. Divide line 1 by line 2. ....	3. _____	_____
4. Enter the amount from line 16 of federal Schedule D, but not less than zero. ....	4. _____	_____
5. Multiply the amount on line 4, times the % on line 3: .....	5. _____	_____
6. Multiply amount on line 5 times 40% (.40). This is your Montana capital gains exclusion. Enter on line 35 of Montana Form 2. ....	X .40	X .40
	6. _____	_____

**When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.**